The Economist

BUDGET SUPPLEMENT.

SATURDAY, APRIL 9, 1932.

1932 LIBRARY

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FOREWORD.

...ure presented by our Budget Supplement of a ... was one of a situation dominated by the rapid ... of Civil Supply expenditure, offset only in small ...economies in respect of the Defence Forces. Tax ... had nominally been made to cover the require... of the Exchequer and to make some small provi...wards debt redemption, but this result had been ...only at the cost of recurrent raids upon "nest-...nd the real position had, in fact, been concealed ...ing the Unemployment Insurance Fund to accu... debt, repayment of which could not be considered ...bability, but for which no budgetary provision ... made.

... pages which follow, we review in detail the ...ourse of revenue and expenditure, showing the ...roduced by the second Emergency Budget of ...hereby borrowing for the Unemployment Insur...nd and the Road Fund was terminated and ... made—partly by fresh taxation and partly by ...—to fill the gap that then yawned between ...ive expenditure (augmented by substituting votes ...ly for borrowing) and tax revenue inevitably ...ed by the repercussions on this country of the ...ncial crisis. In an earlier issue of the *Economist** ... ventured a tentative forecast that on the basis of ... taxation, supplemented by the somewhat incal... yield of existing and prospective import duties, ...mberlain can look forward, when he opens his ...on April 19th, to a surplus amounting at most to ...lions as compared with a bare balance antici...ide page 12) by Mr Snowden last September. ... be that the Chancellor's expert advisers will ...ed to take a less optimistic view. Though ...me tax and surtax payers in the past financial ...ve proved a remarkably fruitful source of ... the assessments on which next year's receipts ...t taxation will depend may well be expected to ...n less favourable than Mr Snowden assumed ... the case last September. Moreover, it is well ...t in many instances taxpayers were able to meet ...ds made on them during the past quarter only ...e to banking accommodation. It may not be ... second time to repeat fully the effort, stimu... a general sense of patriotic obligation, which was ... the past year. In any case, the fact which ...om our analysis of the past four years' history ...demption, that we have been reducing debt at ... less than £10 millions a year, suggests strongly ...ation of the sinking fund should have priority ...ions of taxation.

...g so, the taxpayer is clearly faced with the ... little relaxation in 1932-33 of the burden which ... carrying. It is a burden whose magnitude ...ttle emphasis. If we include as part of it the ...d of motor licences and the Post Office surplus, ... in 1931-32 revenue amounted to £744.5 mil... compared with less than £695 millions in 1924-25, ... revenue proper—*i.e.*, excluding the foregoing ...unted to £710.5 millions or £37 millions more than seven years ago. In addition, local rates amount to over £165 millions a year. Although of recent years the proportion between direct and indirect taxation has remained relatively constant in the proportion of 3:2, the absolute increase under both heads, as compared with the last pre-war year, is enormous. In comparison with 1913-14 the increase in direct taxation has been 460 per cent., while indirect taxation has risen by about 220 per cent. A year ago we suggested that the national income in 1930 might have been of the order of £4,000 millions, and that tax revenue (including the total yield of motor duties, but not the Post Office surplus) at £704 millions bore to national income a ratio of over 17 per cent. as compared with 7 per cent. in 1913. For 1931 an estimate of national income must necessarily, in view of the violent change in values and chaotic conditions of business, be more than ever a matter of guess-work. If the figure be taken tentatively at £3,500 millions, the ratio of tax revenue to national income works out at approximately 21 per cent., and on the prospects for 1932 it looks as though the figure might reach the serious proportions of 25 per cent.

In these circumstances the need for an unrelaxed drive towards economy is paramount. Although the relief afforded by this country's suspension of the gold standard has led to an increase in employment which has enabled a saving of £13½ millions, as compared with last September's forecast, to be made in the 1932-33 estimates for the Ministry of Labour, the total estimated expenditure on the Supply Services amounts to £447 millions as compared with £438 millions in 1931-32. Approximately £5½ millions of economies have been effected in the cost of the Defence Services, but on the Civil Services only £8 millions have been retrenched, apart from the savings on the Ministry of Labour vote, as aforesaid, and a reduction of about £7½ millions in the expenditure of the Road Fund, whose borrowing powers, like those of the Unemployment Insurance Fund, were terminated in the Emergency Budget. If the taxpayer is to obtain any substantial alleviation of a burden whose indefinite continuance cannot be lightly contemplated, it is evident that a rigorous pruning of expenditure on all hands must be effected.

It may be that a successful result of the Disarmament Conference will enable Mr Chamberlain to lighten substantially the cost of the Defence Forces. But in this direction, as in others, the data on which the 1932 Budget must be based are liable to so many chances and changes that the Chancellor, we suggest, can do little more this month than make tentative provision for the situation with which he is at this moment confronted. Apart from the incalculable future trend of industrial employment, on which next year's Budget balance so largely hangs, it still remains to be seen what budgetary adjustments will finally be necessary in respect of receipts and payments on account of reparations and war debts, not to mention contingent exchange losses on the repayment of last summer's Franco-American Treasury credits. It might, in fact, be a wise course to present, on April 19th, a provisional Budget for the coming year, to be followed in October, as was the case in 1931, by a revised statement of accounts.

* March 19, 1932.

THE NATIONAL ACCOUNTS, 1931-32.

The picture which is presented by the accounts for the past year cannot readily be appreciated without reference to the two Budgets introduced respectively in April and September, 1931. Last April Mr Snowden found himself faced with prospective expenditure, other than the self-balancing items, of £803.3 millions, including a fixed debt charge reduced from £360 to £355 millions, whereas his estimated revenue on the existing basis of taxation was £37.3 millions below that figure. This gap he filled by increasing the duty on petrol from 4d. to 6d. per gallon, (estimated to yield £7.5 millions), by gaining £10 millions through making three-quarters instead of one-half of 1931-32 income tax assessed under Schedules B, D and E payable on January 1, 1932, and by transferring to Miscellaneous Receipts £20 millions from the Dollar Exchange Reserve Fund, in addition to accrued interest on this Fund also taken into revenue. These arrangements left him with a prospective modest surplus of £200,000.

Since he was left with a prospective automatic shrinkage of revenue for 1932-33, amounting, when the exhaustion of the Rating Relief Suspense Account was allowed for, to £37 millions, and since he was making no provision for the growing indebtedness of the Unemployment Insurance Fund, the impression created by this temporising Budget was far from encouraging, but by September, when the Emergency Budget was introduced, the financial situation clearly called for drastic action. On the one hand the Government's decision to terminate borrowing for the Unemployment Insurance and Road Funds had the effect of raising estimated Supply expenditure by £34 millions, in addition to Supplementary Estimates already sanctioned amounting to £800,000. Thus, though the provisions for debt interest and sinking fund could be reduced by £13.5 millions and £5.8 millions respectively as a result of the Hoover moratorium plan, total prospective expenditure amounted to £818.9 millions, against which estimated revenue of only £744.2 millions was in sight, owing to (1) an anticipated short-fall of £4 millions in Customs and Excise, and of £25 millions in Inland Revenue, and (2) a prospective reduction of £30.3 millions in miscellaneous revenue from reparations and war debts in suspense during the Hoover "holiday" year. Altogether, Mr Snowden was faced with a deficit for 1931-32 of £74.7 millions, which he met by reducing the provision for sinking fund to £32.5 millions, by anticipating economies to save £22 millions, and by budgeting for £29 millions from increased income tax and surtax and £11.5 millions from additional duties on beer, tobacco, petrol and entertainments.

In the following table are compared the realised results of 1931-32 with the actual 1930-31 receipts, and with the original and final 1931-32 estimates:—

ORDINARY REVENUE, 1931-32.

(000's omitted.)

	Exchequer Receipts.	Larger (+) or Smaller (−) than 1930-31 Receipts.	Larger (+) or Smaller (−) than Original 1931-32 Estimates.	Larger (+) or Smaller (−) than Final 1931-32 Estimates.
	£	£	£	£
Customs	136,153	+ 14,751	+ 10,502	+ 4,382
Excise	119,900	− 4,100	+ 80	− 1,330
Total Customs and Excise	256,053	+ 10,651	+ 10,583	+ 3,052
Income Tax	287,367	+ 31,330	+ 39,367	+ 15,367
Surtax	76,700	+ 8,870	+ 4,700	+ 3,700
Estate, &c., Duties	65,000	− 17,410	− 35,000	− 18,000
Stamps	17,070	− 5,580	− 6,930	− 2,930
B.P.D., &c.	2,500	− 500	+ 300	+ 300
Land Tax, &c.	850	+ 20	+ 50	+ 50
Total Inland Revenue	449,487	+ 18,930	+ 2,487	− 1,513
Motor Vehicle Duties (Exchequer Share)	4,961	+ 35	− 39	− 39
Total Tax Revenue	710,500	+ 29,206	+ 13,000	+ 1,500
Crown Lands	1,250	− 30	− 80	− 80
Sundry Loans	13,810	− 19,081	− 19,690	− 1,590
Miscellaneous Receipts	29,913	− 4,417	− 25,087	− 12,887
Appropriation from Rating Relief Suspense Account	5,990	− 12,010	− 10	− 10
Post Office, net receipts	11,500	+ 1,400	− 700	− 700
Total Non-Tax Revenue	60,463	− 34,138	− 45,537	− 15,257
Total Ordinary Revenue	770,963	− 4,932	− 32,537	− 13,757

EXPENDITURE, 1931-32.

(000's omitted.)

EXPENDITURE.	Exchequer Issues.	Larger (+) or Smaller (−) than 1930-31 Expenditure.	Larger (+) or Smaller (−) than Original 1931-32 Estimates.	Larger (+) or Smaller (−) than Final 1931-32 Estimates.
	£	£	£	£
National Debt Services: Interest and Management	289,492	− 3,678	− 13,468	+ 8
New Sinking Fund (1928)	32,508	− 34,322	− 19,540	− 8
Total Debt Services	322,000	− 38,000	− 33,000	...
Northern Ireland Exchequer	6,347	− 76	− 3	− 3
Local Taxation Accounts, Other Consolidated Fund Services	3,052	+ 156	+ 82	+ 82
Total	9,399	+ 78	+ 99	+ 99
Total Supply Services (excluding Post Office)	439,200	+ 9,350	− 839	− 11,341
Total Expenditure	770,599	− 28,572	− 33,580	− 11,602

SELF-BALANCING REVENUE AND EXPENDITURE, 1931-32.

(000's omitted.)

	Actual Receipts and Issues, 1931-32.	Larger (+) or Smaller (−) than 1930-31 Receipts and Issues.	Larger (+) or Smaller (−) than Original 1931-32 Estimates.
	£	£	£
Post Office	58,000	− 1,000	− 228
Motor Vehicle Duties apportioned to Road Fund	22,519	− 347	− 883
	80,519	− 1,347	− 1,611

So far as revenue is concerned the yield from Customs was augmented by about £2 millions through tariff duties imposed after the Emergency Budget. Inland revenue, on account of the great fall in the yield from estate duties, would have failed badly to reach even Mr Snowden's second forecast had it not been for the unexpectedly fruitful yield of income and surtax. The shortfall of £12.9 millions, as compared with the final estimate, in Miscellaneous receipts is due mainly to the fact that only £12¾ millions instead of a contemplated £23 millions was transferred from the Dollar Exchange Reserve Fund. It appears that by March 31, 1932, the accumulated interest in this Fund amounted to £4 millions, against an estimate of £3 millions in the April, 1931, Budget. Hence the transfer properly to be regarded as on capital account was only £8¾ millions.

On the other side of the ledger, the under-expenditure on account of Supply, as compared with the final estimates, is attributable to the fact that whereas in September Mr Snowden budgeted on the assumption of an unemployment figure of three millions, the past winter's average has in fact been less than 2¾ millions. The amount shown as allocated to sinking fund is, of course, a nominal figure, which does not reflect the real position of debt redemption during the year. This aspect of the accounts is dealt with fully on page 12.

Before proceeding to examine revenue and expenditure in greater detail, we show below the grand totals of receipts and outgoings, including self-balancing expenditure, over the past eight years in comparison with the last pre-war year:—

(000's omitted.)

	Revenue.	Expenditure.*	Surplus.	Deficit.
	£	£	£	£
1913-14	198,243	197,493	+ 750	...
1924-25	799,436	795,777	+ 3,659	...
1925-26	812,062	826,100	...	− 14,038
1926-27	805,701	842,395	...	− 36,694
1927-28	842,824	838,585	+ 4,239	...
1928-29	836,435	818,041	+ 18,394	...
1929-30	814,970	829,494	...	− 14,524
1930-31	857,761	881,037	...	− 23,276
1931-32	851,482	851,118	+ 364	...

* Includes allocations to Sinking Fund.

The payments on sinking fund account included in the foregoing figures of expenditure are analysed in greater detail in the section of this Supplement dealing with the national debt.

REVENUE.

Before proceeding to examine the salient features of the trend of revenue under its various heads, we show below a comparison of realised receipts during the past three years with those of 1924-25 and 1913-14:—

REVENUE (£ Mn.).

	1913-14	1924-25	1929-30	1930-31	1931-32
Customs	35·5	99·3	119·9	121·4	136·2
Excise	39·5	135·1	127·5	124·0	119·9
Total	75·0	234·4	247·4	245·4	256·1
Income Tax	43·9	273·8	237·4	256·0	287·4
Surtax	3·3	62·7	56·4	67·8	76·7
Estate, etc., Duties	27·4	59·5	79·8	82·6	65·0
Stamps	10·0	22·9	25·7	20·7	17·1
E.P.D.	...	·7	} 2·3	3·0	2·5
Corporation Profits Tax	...	18·1			
Land Tax, etc.	3·4	1·4	·8	·8	0·8
Total Inland Revenue	88·0	439·1	402·4	430·9	449·5
Motor Vehicle Duties	...	(a)	4·9	4·9	4·9
Tax Revenue	163·0	673·5	654·7	681·3	710·5
Crown Lands	0·5	0·9	1·3	1·3	1·3
Sundry Loans	1·6	11·9	32·6	32·9	13·8
Miscellaneous	2·3	41·4	36·4	34·3	29·9
Post Office, Net	6·2	5·1	9·2	10·1	11·5
Racing Expense Account	...	...	...	16·0	4·0
Non-Tax Revenue	10·6	59·3	79·5	94·6	60·5
Total Ordinary Revenue	173·6	732·8	734·2	775·9	771·0
Self-balancing Revenue:					
Post Office	24·6	50·4	58·9	59·0	58·0
Road Fund	...	16·2	21·9	22·9	22·5
	24·6	66·6	80·8	81·9	80·5
Total Revenue	198·2	799·4	815 0	857·8	851·5

(a) Whole yield allocated to Road Fund.

Comparisons of tax revenue in 1929-32 with that of 1913-14 and 1924-25 are complicated by the change in the form of the National Accounts made by Mr Churchill in 1928, whereby Post Office receipts (other than the net surplus accruing to the Treasury) and the share of the motor vehicle duties apportioned to the Road Fund are shown as self-balancing revenue. In the above table, in order to make the figures comparable, we have re-cast the 1924-25 accounts on the same basis as those for the past three years. If, however, total Road Fund receipts and Post Office surplus are included with taxes, the total tax revenue would show the following increase between 1924-25 and 1931-32:—

	1924-25. £ Mn.	1931-32. £ Mn.
Tax revenue as above	673·5	710·5
Road Fund receipts	16·2	22·5
Post Office surplus	5·1	11·5
Total	694·8	744·5

The following analysis of the main heads of revenue shows the trend up to the latest date for which particulars are available.

Customs and Excise.—The original Budget estimate for 1931-32 was £245.5 millions, as compared with £245.4 millions realised in 1930-31. Last September Mr Snowden reduced the estimate, on the basis of existing taxation, to £241.5 millions, but raised his prospective revenue to £268 millions by additional duties on beer, tobacco, petrol and entertainments, estimated to yield £11.5 millions in 1931-32 and £24 millions in a full year. In the following table we show the recent course of Exchequer receipts as compared with Budget estimates:—

(Million £.)

	Customs.		Excise.	
	Budget Estimate.	Exchequer Receipts.	Budget Estimate.	Exchequer Receipts.
1924-25	101·8	99·3	135·9	135·1
1929-30	120·6	119·0	140·8	134·0
1930-31	119·8	119·9	130·6	127·5
1931-32	122·7	121·4	129·9	124·0
1932-33	131·8	136·2	121·2	119·9

During the four years 1928-32 the failure of Excise to live up to expectations was a consistent feature. In 1931-32 Customs receipts were augmented by £2 millions through the various Protectionist duties noted below.

Apart from Acts of the present Parliament, the following are the chief remissions and additions which have taken place in Customs and Excise duties in recent years, together with the estimated cost or yield of the modifications in a full year:—

	Duties Remitted.	Estimated Cost in Full Year. £ Mn.
1924	Tea duty reduced from 8d. to 4d. per lb.	5·4
	Sugar duty (maximum rate) reduced from 25s. 8d. to 11s. 8d. per cwt.	18·4
	Coffee and cocoa duties reduced from 28s. to 14s. per cwt.	1·3
	Entertainments duty reduced on seats up to 2s.	4·0
1925	Increased Preference on Empire sugar and tobacco	1·6
1928	Sugar duty reduced on grades not exceeding 98° polarisation; also increased Preferences	2·9
1929	Tea duty of 4d. per lb. repealed	6·2
	Duties Added.	**Estimated Yield in Full Year. £ Mn.**
1925	Silk duties imposed (*e.g.*, raw silk and yarn, 1s. 6d. to 6s. 8d. per lb.; rayon, 3s. per lb.; made-up articles, 33⅓ per cent. *ad valorem*)	7·0
1927	Tobacco duties increased (main duty from 8s. 2d. to 8s. 10d. per lb.)	3·4
	Wine duties increased (*e.g.*, on wine, 25° to 42° proof, from 6s. to 8s. per gallon)	1·5
1928	Hydrocarbon oil duty of 4d. per gallon	16·3
1930	Beer duty increased by 3s. per standard barrel	3·1
1931	(April Budget) Hydrocarbon oil duty increased from 4d. to 6d. per gallon	8·3
1931	(September Budget) Hydrocarbon oil duty increased from 6d. to 8d. per gallon	7·5
	Beer duty increased by £1 11s. per 36 gallons, 1055° gravity	10·0
	Tobacco duties increased (main duty from 8s. 10d. to 9s. 6d. per lb.)	4·0
	Entertainment duties raised	2·5

Besides duties mainly for revenue, there remain the McKenna Duties of 33⅓ per cent. on imported cinematograph films, clocks and watches, motor cars and cycles and musical instruments, together with the "Safeguarding" duties, which include the Key Industry Duty (mainly certain chemicals and scientific glass and instruments) reimposed for ten years in 1926; a duty of 28s. per cwt. on translucent or vitrified pottery; a 33⅓ per cent. *ad valorem* duty on buttons and a 25 per cent. *ad valorem* duty on wrought enamelled hollow-ware. The three last-named duties are due to expire—pottery, April 19, 1932; buttons, April 28, 1933; hollow-ware, June 13, 1933.

These alterations in duties must be borne in mind in reading the next table, which shows Customs and Excise net receipts (these differ slightly from Exchequer receipts because of variations in retained balances) analysed in greater detail. The areas referred to are the United Kingdom in 1913-14 and Great Britain and Northern Ireland since the war:—

CUSTOMS AND EXCISE DUTIES—NET RECEIPTS (000's omitted.)

	1913-14.	1924-25.	1928-29.	1929-30.	1930-31.
	£	£	£	£	£
Spirits	23,976	51,054	45,667	42,599	40,639
Beer	13,655	81,987	75,825	77,151	75,698
Wine	1,152	3,752	4,248	4,881	4,096
Tea	6,499	5,971	5,740	43*	...
Sugar, &c.	3,329	20,532	15,288	13,549	14,881
Tobacco	18,284	51,913	59,087	62,794	64,077
Matches and mech. lighters	...	3,295	3,960	4,170	4,155
Hydrocarbon oils	†	...	12,982	15,042	15,909
Betting duty	...	...	2,245	286*	16*
Liquor licences, &c.	4,517	4,658	4,571	4,586	4,582
Other revenue duties‡	3,815	11,259	11,003	10,309	10,850
Total revenue duties	75,227	234,421	240,616	235,410	234,901
Hops	...	...	290	206	159
Silk and artificial silk	...	...	6,053	6,243	6,642
"McKenna" duties	...	110	3,515	3,692	2,768
Safeguarding of Industry duties	...	476	2,335	2,431	1,575
Total protective duties	...	586	12,203	12,572	11,144
Grand total	75,227	235,007	252,819	247,982	246,045

* Duty repealed in April, 1929.
† There was no duty on hydrocarbon oils in 1913-14, but the motor spirit duty (repealed finally as from January 1, 1921) yielded in that year £841,000, which is included with "Other revenue duties."
‡ Including British wine, table waters, cider and perry, cocoa, coffee, chicory and substitutes, dried or preserved fruits, entertainments, railway passenger duty, patent medicines, other licences, and miscellaneous.

In 1930-31 the quantity of tobacco retained for consumption was over 154 million lbs., against 129 million in 1924-25. On the other hand, the consumption of spirits has fallen steadily in that period from 14.5 to 11.7 million proof gallons, while in terms of standard barrels (36 gallons at gravity of 1055 degrees) beer consumption has also declined—from 21.9 to 19.6 million barrels. The quantity of imported and home-grown sugar consumed rose, in terms of refined sugar equivalent, from 32.2 cwts. in 1924-25 to 39.4 million cwts. in 1930-31.

A word in conclusion must be added regarding the Protective duties imposed by the present Parliament. The Abnormal Importations Act, which provided for emergency duties up to 100 per cent. to be imposed on foreign manufactured articles for six months from the passage of the Bill, became law on November 20th last.

On November 21st, Mr Runciman imposed by Order a duty of 50 per cent., effective from November 25th, on a large range of manufactured goods imports whereof from foreign countries had totalled £26 millions in value in 1930 and £28 millions in 1929. At the beginning of December a second Order, covering about £5½ millions of manufactured imports on the 1930 basis, was issued, the rate of duty being again 50 per cent. On this occasion Protection was extended to woollen yarns. A third Order, which became operative just before Christmas, brought (on the 1930 basis) another £20 millions of manufactured imports—including, notably, cotton piece-goods—within the scope of these 50 per cent. duties, which were superimposed on all existing duties. Finally, under the Horticultural Products Act, various duties, applicable at specified rates to different portions of the year, were imposed by Order of the Minister of Agriculture. This Act expires in December, 1932.

Motor Vehicle Duties.—In 1931-32 gross Exchequer receipts (*i.e.*, including the "self-balancing" portion allocated to the Road Fund) amounted to £27,480,000, as compared with a Budget estimate of £28.4 millions. The distribution of revenue from this source is shown below:—

MOTOR VEHICLE DUTIES.

(000's omitted.)

Year.	Exchequer Receipts.*	Payments to Road Fund.	Exchequer Appropriations.
	£	£	£
1924–25	16,164	...	...
1928–29	25,357	21,131	4,226
1929–30	26,802	21,882	4,920
1930–31	27,792	22,866	4,926
1931–32	27,480	22,519	4,961

* Before the Local Government Act of 1929 about £600,000 annually was earmarked for statutory payments to local authorities in lieu of previous carriage licence duties.

Since 1926-27 instead of allocating the entire yield of the motor vehicle duties to the Road Fund the Exchequer has appropriated a portion for general purposes.

In 1930-31 the chief items of payments by the Road Fund were:—

	£
Grants for maintenance, &c., of Class I. and Class II. Roads and Bridges	8,500,256
Grants for major improvements and other road purposes	4,559,320
Special Unemployment Programmes	5,727,319

At March 31, 1931, the Fund had a credit balance of £1.6 millions, as compared with £6.5 millions a year ago, whereas commitments in respect of approved future grants totalled £62 millions, as compared with £43½ millions in March, 1930 and £23.2 millions in March, 1929. The April Budget of 1931-32 provided for the Road Fund borrowing £10 millions in that year, but this authorisation was cancelled in the September Budget.

Income Tax.—Exchequer receipts from income tax amounted last year to £287,367,000, as compared with a final Budget estimate of £272 millions and an original estimate of £258 millions. The course of Exchequer receipts from income tax for 1913-14 and from 1924-25 onwards, together with the standard rate of tax for each year, is shown below:—

INCOME TAX.*

Year.	Exchequer Receipts.	Standard Rate of Tax in the £.	Net Yield† per Penny.	Year.	Exchequer Receipts.	Standard Rate of Tax in the £.	Net Yield† per Penny.
	£ Mn.	s. d.	£ Mn.		£ Mn.	s. d.	£ Mn.
1913–14	43·9	1 2	3·11	1927–28	250·6	4 0	4·73
				1928–29	237·6	4 0	4·91
1924–25	273·8	4 6	5·06	1929–30	237·4	4 0	4·97
1925–26	259·4	4 0	4·92	1930–31	256·0	4 6	4·87
1926–27	234·7	4 0	4·87	1931–32	287·4	5 0	4·57‡

* For 1913–14 the United Kingdom; from 1924–25 onwards, Great Britain and Northern Ireland only.
† Calculated on basis of net produce of tax.
‡ Estimate.

In his first 1931 Budget Mr Snowden made no alteration in the rate of income tax, but increased his 1931-32 receipts under this head by an estimated non-recurrent sum of £10 millions by raising the instalment of income tax due on January 1st under Schedules B, D and E from one-half to three-quarters of the total annual payment, the remaining quarter to be paid on July 1st. In his September Budget, Mr Snowden raised the standard rate of tax from 4s. 6d. to 5s. in the £, and made the following changes in allowances:—

(*a*) The allowance in respect of earned income was increased from one-sixth of the income, with a maximum of £250, to one-fifth, with a maximum of £300.
(*b*) The personal allowances for individuals, other than married persons, was reduced from £130 to £100.
(*c*) The personal allowance for married persons was reduced from £225 to £150.
(*d*) The allowances in respect of children was reduced from £60 to £50 for the first child and from £50 to £40 for each subsequent child.
(*e*) The housekeeper allowance was reduced from £60 to £50.
(*f*) The deduction of tax authorised by the Finance Act, 1930 (*i.e.*, five-ninths of the standard rate of the first £250 of taxable income), was altered to a deduction of tax at half the standard rate on an amount of income not exceeding £175.

It was estimated that these measures, together with the increase in the standard rate of tax, would produce additional revenue of £25 millions in 1931-32 and £51.5 millions in a full financial year.

"Actual" income (*i.e.*, gross income, less exemptions and reductions for depreciation, etc., but before deducting "earned" and other personal allowances) coming under the review of the Inland Revenue Department has in recent years been in the neighbourhood of £2,500 millions. In the following table we analyse into the five schedules the estimated actual income in 1930-31, as compared with the figures for 1928-29, 1929-30 and 1913-14:—

ANALYSIS OF ACTUAL INCOME.

(000's omitted.)

Schedule.	Income from	1913–14.	1928–29.	1929–30.	1930–31. Estimate.
		£	£	£	£
A.	Ownership of lands, houses, &c.	175,662	284,108	280,778	280,000
B.	Occupation of lands, &c.	5,373	27,433	27,321	25,000
C.	British, Dominion & Foreign Government Securities	47,776	153,446	154,962	161,000
D.	Business, Professions, &c.	594,346	1 064,927	1,077,478	1,000,000
E.	Salaries of Government, Corporation and Public Company Officials and Employments.*	137,894	710,045	721,969	724,000
	Ditto, weekly wage-earners		284,492	283,698	260,000
	Total	961,041	2,494,449	2,530,757	2,450,000

* Prior to 1923–24, employments (including weekly wage-earners) were assessed under Schedule D.

The total "taxable" income, that is "actual" income, less earned income and personal allowances, amounted in 1929-30 to £1,347 millions, as compared with a pre-war figure of £792 millions. For 1930-31, "taxable" income is provisionally estimated at £1,300,000, and the number of persons chargeable at 2,200,000, as compared with 1,130,000 in 1913-14.

Surtax.—Exchequer receipts from surtax totalled £76.7 millions last year, as compared with a final Budget estimate of £73 millions, and an original estimate of £72 millions. The number assessed to surtax (as revised at April 30, 1931), the total chargeable income (including the first portion on which no surtax is payable), and the Exchequer receipts in 1913-14 and since 1924-25 are shown in the following table:—

SURTAX.

(1913-14 United Kingdom; thereafter Great Britain and Northern Ireland.)

Year	Income Limit.	Number Chargeable.	Total Income Chargeable.	Exchequer Receipt.
	£		£ Mn.	£ Mn.
1913-14	5,000	14,008	176	3·32
1924-25	2,000	96,682	560	62·68
1925-26	2,000	98,030	560	68·51
1926-27	2,000	99,321	559	65·91
1927-28	2,000	99,380	550	60·60
1928-29	2,000	103,027	570	56·15
1929-30	2,000	*	*	56·39
1930-31	2,000	*	*	67·83
1931-32	2,000	*	*	76·7

* Not available.

In his Emergency Budget of last year Mr Snowden increased by 10 per cent. the rates of surtax operative since 1930-31, which ranged from 1s. for every pound of the first £500 above £2,000, to 7s. 6d. for every pound in excess of £50,000. This revision of the rates was estimated to yield £4 millions of revenue in 1931-32, and £6 millions in a full year.

Of the total number chargeable with surtax in 1928-29, over 74,000 persons, with an aggregate income of £224 millions, had individual incomes ranging between £2,000 and £5,000 per annum.

Income and Surtax Combined.—We print below an extract from a schedule issued by the Treasury last autumn showing the amount of tax now payable on certain specimen incomes, as compared with the sum payable in 1929-30:—

INCOME TAX AND SURTAX.

Total Income.	Single Persons.			
	Earned Income.		Investment Income.	
	1929–30.	1931–32.	1929–30.	1931–32.
£	£ s. d.	£ s. d.	£ s. d.	£ s. d.
120.....	...	0 10 0	...	3 15 0
150.....	...	2 10 0	1 10 0	6 5 0
200.....	3 3 4	7 10 0	6 10 0	12 10 0
500.....	33 16 8	53 2 6	50 10 0	78 2 0
1,000.....	117 3 4	153 2 6	150 10 0	203 2 6
2,000.....	300 10 0	378 2 6	350 10 0	453 2 6
5,000.....	1,131 15 0	1,465 0 0	1,181 15 0	1,540 0 0
10,000.....	3,031 15 0	3,897 10 0	3,081 15 0	3,972 10 0
20,000.....	22,156 15 0	28,335 0 0	22,206 15 0	28,410 0 0

Total Income.	Married Couples with Three Children.			
	Earned Income.		Investment Income.	
	1929–30.	1931–32.	1929–30.	1931–32.
£	£ s. d.	£ s. d.	£ s. d.	£ s. d.
120.....	...	...	...	...
150.....	...	...	...	...
200.....	...	...	...	...
500.....	3 3 4	15 0 0	11 10 0	33 2 6
1,000.....	67 3 4	108 2 6	100 10 0	158 2 6
2,000.....	250 10 0	333 2 6	300 10 0	408 2 6
5,000.....	1,081 15 0	1,420 0 0	1,131 15 0	1,495 0 0
10,000.....	2,981 15 0	3,852 10 0	3,031 15 0	3,927 10 0
20,000.....	22,106 15 0	28,290 0 0	22,156 15 0	28,365 0 0

In the case of wholly investment incomes of single persons, the effective rate of income and surtax rises from 4s. 1d. in the £ on an income of £1,000 per annum to 11s. 4½d. in the £ on £50,000.

Death Duties.—The Exchequer received £65,000,000 from death duties in 1931-32, as compared with a final Budget estimate of £83 millions and an original estimate of £90 millions. The short-fall is a striking reflection of the depreciation of securities. The following table shows the receipts from death duties in 1913-14 and since 1924-25:—

ESTATE, &c., DUTIES.

(In Million £'s.)

	Exchequer Receipts.		Exchequer Receipts.
1913-14	27·36	1927-28	77·31
		1928-29	80·57
1924-25	59·45	1929-30	79·77
1925-26	61·20	1930-31	82·61
1926-27	67·32	1931-32	65·00

With the exception of 1925-26, when there was a short-fall of £5.8 millions, Exchequer receipts from death duties up to 1929-30 consistently exceeded Budget estimates. In the last three years, however, receipts fell below the Budget estimates by £2.2 millions, £400,000 and £18 millions respectively.

Of the seven death duties on the Statute Book, only three are applicable to deaths occurring at the present time, namely, the estate duty, the legacy duty and the succession duty. The estate duty yields about 89 per cent. of the total receipts. In the following table we show the rates of estate duty operative at the present time, as compared with those prevailing in 1909-14, 1919-25 and 1925-30:—

RATES OF ESTATE DUTY.

Net Value.		1909–14.	1919–25.	1925–30.	Since 1930.
Exceeding £	Not Exceeding £	%	%	%	%
100	5,000 ...	1–3	1–3	1–3	1–3
5,000	10,000 ...	4	4	4	4
10,000	25,000 ...	5–6	5–7	5–9	5–9
25,000	50,000 ...	6–7	8–10	10–14	10–14
50,000	100,000 ...	7–8	11–14	15–19	15–19
100,000	200,000 ...	9–10	14–18	20–23	20–24
200,000	500,000 ...	11–12	19–25	24–27	26–32
500,000	1,000,000 ...	12–14	26–28	28–29	34–38
1,000,000	— ...	15	30–40	30–40	40–50

The increases in the scale imposed by Mr Snowden in 1930-31 were estimated to yield £7 millions in a full year.

The total number of estates paying estate duty in 1930-31 (the latest year for which figures are available) was 125,741, as compared with 130,042 in 1929-30. These estates represented a net capital value of £516,800,000, as compared with £538,376,000 in 1930-31, and yielded net receipts of £73,704,000, against £69,548,000 in the previous year. In the following table the 1930-31 figures are analysed to show their distribution as between estates of varying size:—

ESTATE DUTY, 1930–31.

	Numbers.		Net Capital Value.		Net Receipts.	
	—	% of Total.	Thous. £.	% of Total.	Thous. £.	% of Total.
Small Estates*	49,078	39·03	13,507	2·61	94	0·13
Net Value Exceeding £ / Not Exceeding £						
100 / 5,000	61,455	48·87	94,311	18·25	2,554	3·47
5,000 / 10,000	7,035	5·59	52,246	10·11	2,078	2·83
10,000 / 25,000	5,093	4·05	81,655	15·80	5,565	7·54
25,000 / 50,000	1,793	1·43	63,476	12·28	7,301	9·90
50,000 / 100,000	790	0·63	54,799	10·60	9,231	12·53
100,000 / 200,000	307	0·24	43,616	8·44	9,286	12·60
200,000 / 500,000	136	0·11	41,928	8·12	11,075	15·03
500,000 / 1,000,000	33	0·03	23,496	4·55	7,371	9·95
1,000,000 / —	22	0·02	47,786	9·24	19,267	26·15
Settlement Estate Duty ...	...	...	...	...	— 8	— 0·01
Total	125,741	100·00	516,800	100·00	73,704	100·00

* Estates whose gross value does not exceed £100. † These pay duty at a fixed rate—under £300, 30s.; £300–£500, 50s.

Of the total gross capital values, namely, £556 millions (from which £39.3 millions in deductions were allowed in arriving at the net capital value of £517 millions), Government and municipal securities represented 22.9 per cent., other stocks and shares 31.6 per cent., house and business property 13.4 per cent., and cash and money owing 16 per cent.

The current rates of legacy and succession duty, each of which is a duty payable with reference to the acquisition of property by beneficiaries, are as follows:—

Relationship of Beneficiary.	Rate of Duty Per Cent.
Husband, wife or child and descendants.....	1
Brother or sister and descendants	5
And others	10

In 1930-31 the legacy duty yielded £8.22 millions and the succession duty £1.08 millions. The total capital values assessed to legacy duty in that year amounted to £232.5 millions, of which £128.7 millions paid at the rate of 1 per cent., and £28.5 millions at the maximum rate of 10 per cent.

Stamp Duties.—Receipts from Stamp Duties (excluding fee and patent stamps) amounted to £17,070,000 in 1931-32, as compared with a final Budget estimate of £20 millions and an original estimate of £24 millions.

The following table shows the net receipts from the main heads in recent years and in 1913-14:—

STAMP DUTIES: NET RECEIPTS.
(In thousand £'s.)

	1913-14.	1928-29.	1929-30.	1930-31.
Land and property	1,879	4,856	4,849	4,431
Stocks and shares, &c.....	3,125	11,695	7,270	5,890
Company Capital Duty ...	698	4,416	3,771	1,135
Cheques and bills	2,322	5,122	4,837	4,521
Receipts	669	2,286	2,686	2,641
Other	955	1,759	1,840	1,717
Total	9,648	30,134	25,253	20,335

The shrinkage in receipts in 1931-32, which followed short-falls of £6 millions and £5 millions respectively in the two previous years, was an eloquent reflection of the continued trade depression and inactivity of the Stock Exchange, which in 1930-31 had already reduced by over 50 per cent. the revenue received in 1928-29 from the stamp duties on stocks and shares and company capital.

E.P.D. and Corporation Profits Tax.—Following the repeal of Corporation Profits Tax by the Finance Act of 1924, revenue under the above head has represented the collection of outstanding arrears, subject to adjustments. In 1931-32 Exchequer receipts amounted to £2,500,000, or £300,000 more than the Budget estimate, while in the previous year the yield at £3 millions exceeded the Budget estimate by £1.3 millions.

Receipts from Sundry Loans.—The original estimate for this item of revenue in 1931-32 was £33,500,000, but under the Hoover plan the estimate was revised to £15,400,000. The actual yield in 1931-32 was £13,810,000, or £1,590,000 short of the amended estimate. The following table shows the main heads of receipts in recent years:—

RECEIPTS FROM SUNDRY LOANS.
(000's omitted.)

	1924-25.	1928-29.	1929-30.	1930-31.
	£	£	£	£
Interest, &c., on War Loans:				
Dominions and Colonies ...	6,429	8,967	9,813	7,684
France	2,082	8,043	10,921	12,500
Italy	...	4,000	4,000	4,000
Other Allied Powers	24	850	1,050	1,200
Interest, &c., on Relief, Reconstruction, &c., loans	810	1,794	1,817	1,965
Suez Canal shares	1,090	1,697	1,834	1,871
Other receipts	1,506	2,760	3,205	3,670
Total	11,941	28,111	32,640	32,890

Of the £7.7 millions received in 1930-31 on account of war loans to the Dominions and Colonies, £5.5 millions were contributed by Australia and £1.7 millions by New Zealand. It is to be noted that £2 millions which were due from Australia on March 31, 1931, were not received until April 1st, and therefore were included in the 1931-32 receipts. The large effect of the annual rise in the French schedule of war debt payments should be observed. The greater part of the revenue received under the heading "Other Receipts" is on account of sundry contributions towards the expenses of the war, advances under the Land Settlement (Facilities) Acts and shares held in the Anglo-Persian Oil Company. No division is made in the inter-Ally war debt receipts between interest and principle redemption, but in 1930-31 the repayment of principal on other items in this category of revenue totalled £2.7 millions.

The amounts due from July 1, 1931, to March 31, 1932, and from April 1, 1932, to June 30, 1932, which would have been included under receipts from sundry loans but for the operation of the Hoover Plan, are summarised below:—

	1931-32 Budget. £ million.	1932-33 Budget. £ million.
War contributions (India)	0·4	0·4
War Loans:—		
Dominions.....	4·8	0·9
France	9·4	3·1
Italy	3·0	1·0
Other Allies	0·6	0·6
Relief, Reconstruction, &c., loans	1·9	0·4
Total	20·1	6·4

South Africa voluntarily consented to continue payment of her war loan annuity. For Australia, only £3.9 millions of interest has been included, as £1.6 millions of principal repayment had already been postponed. No considerable change appears next year in the schedules of payments due to Great Britain on account of war and reconstruction debts, so any extension of the moratorium would affect the Budget on much the same note as last year. Complete postponement of payment for nine months or more would reduce the receipts in this category to the total of roughly £5 millions covered by the last two items in the first table.

Other Non-Tax Revenue.—This category includes the profits of the Post Office, the net income from Crown lands, the appropriation from the Rating Relief Suspense Account and "Miscellaneous Receipts." In accordance with the estimate, £4 millions were taken in last year from the de-rating account, which was created out of the surpluses of 1927-29, and is now exhausted. The profits of the Post Office, which have been steadily rising of recent years, amounted in 1931-32 to £11,500,000, or £700,000 less than the estimate of £12,200,000. Crown lands brought in almost exactly the estimated yield of £1,300,000. The estimate for miscellaneous receipts, originally £55,000,000, was reduced to £42,800,000 to allow for the effect of the Hoover moratorium. The actual yield was £29,913,100, of which the Dollar Exchange Reserve provided £12¾ millions, in place of the £28 millions budgeted for. Miscellaneous receipts include, *inter alia*, Bank of England profits on the fiduciary note issue, the surplus interest earned by the Post Office and Trustee Savings Banks over and above the amounts paid to their depositors, various receipts by Public Departments, and receipts from reparations. Special appropriations—for instance, raids on the Road Fund in 1926 and 1927 and the balance of the Currency Note Account in 1928—have made the aggregate of such receipts very variable. Sale of surplus war stores has ceased to bring in any substantial amount, and easily the most important items in 1930-31 were £3,500,000 from the surplus of the clearing office for ex-enemy debts and £16,310,000 from reparations. The clearing office accounts were wound up under the Hague agreements, and property not yet liquidated was to be returned, hence that item can have produced only a residuary balance in 1931-32. As for reparations and similar receipts, the Hoover Plan suspended the following payments due to the British Exchequer:—

	1931 Budget. £ million.	1932 Budget. £ million.
German reparations.....	10·8	3·6
Czechoslovakia, Liberation Debt	0·1	0·0
Hague annuities (France, Belgium, Italy)	1·4	0·0
Total	12·3	3·6

The above obligations were all couched in terms of gold standard currencies, but conversion has been made at par of exchange.

EXPENDITURE.

The national expenditure in the past two years, compared with that in 1924-25 and 1913-14, together with estimates for the current year, is shown below. In 1924-25 Road Fund repayments were included in the Consolidated Fund. In order to make the figures comparable with those of later years, we have adjusted the accounts for 1913-14 and 1924-25 accordingly. No official estimates will be available in respect of the bracketed items until Budget day, but for the purposes of this table we have assumed that Road Fund and "other consolidated fund" payments are unchanged and have inserted the figure given in Mr Snowden's Emergency Budget for the national debt services.

EXPENDITURE (£'s million).

	1913-14.	1924-25.	1930-31.	1931-32.	*1932-33. (Est.)*
National Debt services..	24·5	357·2	360·0	322·0	*(335·5)*
Other Consolidated Fund services	12·8	20·8	9·3	9·4	*(9·4)*
Total Consolidated Fund services	37·3	378·0	369·3	331·4	*(344·9)*
Navy, Army, Air	77·2	114·7	110·5	107·3	*104·4*
Civil services	53·9	226·1	307·4	331·9	*330·2*
Customs and Excise and Inland Revenue	4·5	11·0	11·9		*12·6*
Total supply services (excluding P.O.)	135·6	351·8	429·8	439·2	*447·2*
Total ordinary	172·9	729·8	799·1	770·6	*(792·1)*
Self-balancing—					
Post Office	24·6	50·4	59·0	58·0	*59·2*
Road Fund	...	15·6	22·9	22·5	*(22·5)*
Total self-balancing ...	24·6	66·0	81·9	80·5	*(81·7)*
Grand total	197·5	795·8	881·0	851·1	*(873·8)*

In view of the marked decrease during the past six months in short-term rates of interest and the cost of financing Treasury bills, it is probable that Mr Chamberlain may be able to revise in a downward direction last September's estimate of the 1932-33 cost of the National Debt services. But this item must necessarily remain a matter of great uncertainty until it is known whether provision is to be made, or not, in the Budget for payment of the December, 1932, instalment due under our debt funding agreement to the United States.

In the following paragraphs we examine in greater detail the trend of the main heads of expenditure.

Consolidated Fund Services.—The chief item falling under this head is the cost of the National Debt, which is discussed in a later section of this supplement. The reduction in "other" Consolidated Fund Services as compared with the sum expended in 1924-25 is due to the operation of the Local Government Act of 1929, whereby payments to Local Taxation Accounts were transferred to Supply Votes and fused with the new grants in relief of local rates. The total of £9.4 millions in 1931-32 was made up of £6.3 millions paid to the Northern Ireland Exchequer and £3.1 millions on account of the Civil List and several minor miscellaneous charges, *e.g.*, payments under the Trade Facilities and the Tithe Acts.

Defence Services.—The total estimated expenditure on the Defence Services in 1932-33 amounts to £104,364,000, as compared with actual expenditure of £107,280,000 in 1931-32 and a pre-war figure of £77,179,000. The economies imposed on these services in Mr Snowden's Supplementary Budget were estimated to amount in 1932 to £8.6 millions, including a saving of £3.6 millions on account of pay and pensions. These reductions have in the main been realised, although, as compared with the 1931-32 estimates, amounting to £109,635,000, the actual total saving is only £5¼ millions. This apparent discrepancy, as will be seen below, is chiefly accounted for by a normal increase in naval expenditure to cover the 1930 and 1931 new construction programmes, and by the realisation of only a part of the saving anticipated in the Air Force. We show below the recent course of defence expenditure as compared with 1924-25 and the pre-war level:—

DEFENCE SERVICES EXPENDITURE (EXCHEQUER ISSUES). (000's omitted.)

	Navy.	Army.	Air Force.	Total.
	£	£	£	£
1913-14	48,833	28,346	...	77,179
1924-25	55,625	44,765	14,310	114,700
1928-29	56,920	40,500	16,050	113,470
1929-30	55,750	40,500	16,750	113,000
1930-31	52,574	40,150	17,800	110,524
1931-32	51,605*	39,930*	18,100*	107,280†
1932-33 (estimate)	50,476	36,488	17,400	104,364

* Budget estimate. † Actual.

It should be borne in mind that the post-war Army and Navy estimates have to make provision for substantial non-effective charges, *i.e.*, pensions,, retired pay, etc. These charges in 1932-33 are estimated to amount to £17.2 millions, as compared with £6.9 millions in 1913-14.

In the following table we show effective charges only for 1913-14 and recent years:—

	Navy.	Army.	Air Force.
	£ Mn.	£ Mn.	£ Mn.
1913-14	43·3	24·3	...
1928-29	48·7	32·5	15·9
1929-30	47·4	32·4	16·7
1930-31	43·6	31·4	17·4
1931-32*	42·8	31·2	17·8
1932-33*	41·6	28·2	17·1

* Estimates.

Effective charges in 1932-33 are estimated at £86.9 millions, an increase—including the Air Force—of approximately 27 per cent. above the pre-war level.

The next table shows the strength (or establishment) of the three forces in 1913-14 and from 1924-25 onwards:

	Navy (*a*).	Army. (*b*)	Air Force.(*c*)
1913-14	142,960	185,600	...
1924-25	99,453	161,600	31,429
1928-29	100,680	153,500	30,467
1929-30	99,300	150,500	31,070
1930-31	94,921	148,900	32,118
1931-32	93,650*(*d*)	148,800*	32,000*
1932-33	91,410*(*d*)	148,700	32,000*

* Estimate.

(*a*) Exclusive of Royal Marine Police.
(*b*) Establishment exclusive of India.
(*c*) Including about 2,000 paid for by the Government of India.
(*d*) Maximum for year.

Navy.—The estimates for 1932-33 amount to a net total of £50,476,300, showing a reduction of £11,287,700 on the estimates for 1931-32. The recommendations of the Committee on National Expenditure, which were subsequently embodied in the September Supplementary Budget, provided for a total cut of £3,828,700 in naval expenditure, of which £1,828,700 was to be effected through reductions in pay and pensions and other administrative economies. The Committee recognised, however, that as compared with 1931-32 expenditure an additional sum of £2,700,000 would be required in 1932-33 to cover the normal upward curve of expenditure on the 1930 and 1931 new construction programmes as already approved by Parliament. The First Lord of the Admiralty, in presenting the current estimates, maintained that this figure could not be regarded as "an adequate provision for the needs of the Navy," but had been fixed with strict reference to the needs of the present financial position. Of the total estimates for the coming year, £6,773,545 represents provision for new construction, and compares with an anticipated expenditure in 1931-32 of £5,426,855. The building-programme for 1932 is practically identical with that of

last year, and provides for two six-inch gun cruisers, one cruiser of 5,000-6,000 tons, nine destroyers, four sloops, three submarines and several minor vessels. It was anticipated in last year's estimates that personnel would have fallen to 91,840 by the end of March, 1932, and, as will be seen from the table printed above, the estimated reduction of 2,240 brings the total for 1932 well within this figure.

Army.—The Army estimates for 1932-33 amount to £36,488,000 net, or £3,442,000 less than the estimate for 1931-32. This saving corresponds very closely to the reduction of £3,500,000 in Army expenditure ordered by the Government last autumn, but the Secretary of State for War remarks, in his Memorandum accompanying the estimates, that it has only been achieved "with the greatest difficulty by resorting to a drastic suspension or retardation of many services which are essential to the well-being and efficiency of the Army." Apart from cuts in pay and pensions, economies have been achieved through the cancellation of the annual camp training of the Territorial Army and the Supplementary Reserve, the curtailment of the field training of the Regular Army, the postponement of improvement and replacement of barracks, etc. It is estimated that of the savings effected approximately £2 millions are of a permanent character, while £1.5 millions can only be regarded as temporary economies. Non-effective charges in the present estimates amount to a little more than £8¼ millions, and show a reduction of £444,000 on those of last year. In effective charges the largest economy contemplated is a cut of £1½ millions in Territorial and Reserve Forces expenditure. The strength of the Army, including British troops in India, is now approximately 8,000 below establishment, and the provision for pay in the 1932 estimates is £304,000 less than in 1931 and £1,350,000 less than in 1925.

Air.—The Air estimates for 1932-33 amount to a net total of £17,400,000, and show a decline of only £700,000 as compared with those of last year, whereas under the Government's economy schemes expenditure should have shown a reduction of £1.3 millions. The gross total, however, at £19,702,700, is £1.5 millions lower owing to a reduction of nearly £800,000 in appropriations in aid. As in the case of the other two Defence Services, it is pointed out by the Secretary of State for Air that the economies achieved have only been possible "by the postponement of many services, which, under normal conditions, would be regarded as essential, and by makeshift expedients which cannot be repeated." As compared with last year, effective charges have been reduced by £782,000. Vote I., covering the pay of the Force, shows an increase of £23,000, and Civil Aviation a rise of £3,000. All other effective charges have been reduced, technical and war stores showing a fall of £322,000, and works, buildings and lands a decline of £140,000. Non-effective charges, however, are estimated at £32,000 higher than in 1931-32. In accordance with the Armaments Truce, no new units are being formed this year. The present total strength of the Force is 75½ regular squadrons, including 13½ squadrons in the Fleet Air Arm.

Civil Service.—For 1932-33 the Civil Service estimates (excluding revenue departments) show a reduction of £9.3 millions as compared with the final estimates for 1931-32, and an increase of £12.4 millions over the original Budget estimates for that year. We show below the course of expenditure, divided into its main heads, during the last five years in comparison with 1924-25:—

CIVIL SERVICES EXPENDITURE.

	Education.	Health.	Pensions.		Labour.	Other Heads.	Total.
			War.	Others.			
	£ Mn.	£ Mn.	£ Mn.	£ Mn.	£ Mn.	£ Mn.	£ Mn.
1924–25	46·5	21·8	69·5	25·0	14·1	51·3	228·2
1928–29	47·3	23·5	56·7	38·1	11·8	45·9	223·3
1929–30	47·8	24·5	53·5	39·9	19·5	62·0	247·2
1930–31	52·7	22·0	52·0	45·8	36·8	98·1	307·4
1931–32	55·9	22·3	50·0	49·2	44·9	95·5	317·8
*1931–32**	*55·9*	*22·3*	*50·0*	*48·2*	*53·6*	*104·5*	*339·5*
1932–33†	45·6	22·0	47·2	50·8	64·5	100·1	330·2

* Revised estimates. † Budget estimates.

The increase, as compared with the original estimates for 1931-32, of nearly £20 millions in the vote for the Ministry of Labour is a reflection of the increased cost to the Exchequer of the Unemployment Insurance Fund, borrowing for which ceased under Mr Snowden's Emergency Budget. As will be seen from the fuller analysis of the Class V. Vote below, the effect of limiting the Fund's borrowing powers to the total of £115 millions already authorised meant that the Exchequer had to make good any deficiency on the Fund proper, in addition to meeting the steadily rising cost of providing transitional benefit to those whose claims to benefit had lapsed. The increase in expenditure under "other" heads between 1929-30 and 1930-31 represents mainly the effects of the Local Government Act, 1929.

Central Government, and Imperial and Foreign (Classes I. and II.).—The all-round reduction of salaries, helped by a reduction in repayments to the Local Loans Fund, has enabled the Class I. Estimates, which cover such items as the Houses of Parliament, the Treasury, the Mint, etc., to fall again below the £2 millions mark. Class II. Estimates, which include the cost of official representation abroad, both in foreign countries and in the Empire, and the corresponding departments at home, have fallen by as much as one-fifth, from £6,045,000 to £4,836,000. The cost of Colonial and Middle Eastern Services is to be reduced by £462,000 to £1,318,000. The vote for the Empire Marketing Board is cut by about one-half its former amount, and the practical cessation of emigration causes the Overseas Settlement vote to fall from £265,000 to £91,000; two years ago £833,000 was provided for this item. The Imperial War Graves Commission is also to cost considerably less. On the other hand, the Disarmament Conference has caused the League of Nations contribution to rise by £64,500, and the diplomatic and consular services will also absorb more next year.

Justice and Police (Class III.).—These estimates total £15,495,000 for 1932-33, against £16,344,000 a year ago. The Police Force, which accounts for £11.2 millions of the estimate, has provided the chief economy, £768,000 having been cut from the grants-in-aid, mainly through reductions of pay and allowances. In 1924-25 the Police Vote was £6.8 millions, but the Local Government Act, 1929, had the effect of increasing Exchequer grants for police by £3 millions. Law charges have also been substantially cut down.

Education (Class IV.).—The total estimate for this class has been cut by £6,371,000 to £52,006,000 for 1932-33. The total is made up as follows:—Board of Education, £42.9 millions (against £48.4 millions); Public Education, Scotland, £6.8 millions (£7.6 millions); museums, university subsidies, etc., £2.3 millions (£2.4 millions). According to the revised Budget estimates of last September, education votes were to be cut by £10.3 millions and university grants by £150,000. The recent course of expenditure on English education is summarised below:—

ENGLAND AND WALES.

	Board of Education.		Total Expenditure† by L. E. A.'s.		Cost per Elementary Pupil
	Total Vote.	Grants to L. E. A.'s.	Elementary Education.	Higher Education.	
	£ Mn.	£ Mn.	£ Mn.	£ Mn.	s. d.
1913–14	14·7	12·8	25·6	4·4	86 3
1924–25	41·9	37·5	57·5	11·4	233 3
1928–29	41·2	39·0	61·5	14·5	250 5
1929–30	41·6	39·2	63·1	15·3	255 6
1930–31	45·5	42·6	64·7	16·4	263 6
1931–32	48·4	45·2*	66·3*	17·4*	267 9*
1932–33	42·9	39·0*	62·4*	16·6*	251 7*

* Provisional. † Including proportion borne by the rates.

The reduction of the Board's vote in 1932 is accounted for as to £4.2 millions by the reduction of teachers' salaries by 10 per cent., and the revision of the grant formula for elementary education, and as to £1.4 millions by the abolition of the 50 per cent. minimum limit of the grant

for elementary education. The number of teachers employed by local education authorities is assumed to be 171,500, at an average salary of £224.

Health, Civil Pensions and Labour (Class V.).—The total estimate for this class continues to rise; at £141,924,000 it is £8,196,000 higher than the final estimate for last year and £21,796,000 higher than the original estimate. The following table shows the recent course of expenditure:—

HEALTH, LABOUR AND INSURANCE.
(In Millions.)

	Ministry of Health.*	Pensions. Old Age.	Pensions. Widows', Orphans', etc.	Ministry of Labour.	Other Items.	Total.
	£	£	£	£	£	£
1924-25 ...	21·8	25·0	...	14·1	1·5	62·4
1925-26 ...	22·2	27·1	...	13·6	1·4	64·3
1926-27 ...	21·4	30·0	4·0	10·7	2·5	68·6
1927-28 ...	23·1	32·9	4·0	11·1	2·6	73·7
1928-29 ...	23·5	34·1	4·0	11·8	2·9	76·3
1929-30 ...	24·4	34·9	4·0	19·5	2·7	85·5
1930-31 ...	22·0	36·8	9·0	36·8	3·1	107·7
1931-32 (est.)	22·3	38·2	10·0	44·9	4·0	119·4
1931-32 (est.)† ...	*22·3*	*38·2*	*10·0*	*58·6*	*4·0*	*133·1*
1932-33 (est.)	22·0	39·8	11·0	64·5	4·0	141·3

* Including Scottish Department of Health.
† Revised Estimates.

In reading the foregoing table it should be borne in mind that the Local Government Act, 1929, relieved the estimates for Health to the extent of £3.7 millions, and that the Acts of 1930 and 1931 altered the basis of unemployment insurance finance (see below).

Health.—Divided into its main heads, estimated gross expenditure on Health (including Scotland) has recently been as follows:—

MINISTRY OF HEALTH.

	Housing Grants.	Contributions to Health Insurance Fund.	Administration and Miscellaneous Grants.
	£ Mn.	£ Mn.	£ Mn.
1924-25	9·1	7·1	6·1
1929-30	13·0	6·2	6·4
1930-31	13·7	6·7	3·0*
1931-32	14·6	6·4	2·7
1932-33	15·3	6·4	2·6

* Reduction due to Local Government Act, 1929.

Pensions.—The increase in the cost of Old Age Pensions, supplemented since 1926-27 by Widows', Orphans' and Old Age Contributory Pensions, is a significant feature of the main table shown above. The estimated number of pensions payable under the Acts of 1908-24 and 1925-29 was estimated at 1,440,000 in 1931.

Labour.—This is the division most affected by the changes imposed by the Supplementary Budget of last September. The net estimate of £64,458,000 is reached after deducting an appropriation-in-aid of £7,205,000, practically all of which represents expenses of administering unemployment insurance, recoverable from the insurance fund. Up to last September the Exchequer was responsible only for its share of contributions to the fund, in proportion to payments by employers and employed, and (after 1930) for the cost of transitional benefit to those whose insurance rights had expired; any deficit on the insurance fund was met by borrowing. The course of estimated expenditure under those circumstances is shown below:—

UNEMPLOYMENT INSURANCE.

	Ordinary Contribution.	Transitional Benefit.	Total.*
	£ Mn.	£ Mn.	£ Mn.
1924-25	13·2	...	13·3
1928-29	11·9	...	12·0
1929-30	15·4	4·0	19·7
1930-31	15·0	22·0	37·2

* Adjusted for minor items.

The changes made by the National Government in the finance of unemployment insurance included the reduction of benefits by 10 per cent., the increase of contributions by all parties, the imposition of the means test upon claimants for transitional benefit, and the immediate assumption by the Exchequer of the whole burden of the deficit on the Insurance Fund. The estimated effect of these changes on the Budget (including the saving of £3 millions through the Anomalies Act) is shown in the following table:—

UNEMPLOYMENT INSURANCE.

	Ordinary Contribution.	Transitional Benefit.	Deficiency Grant.	Total.*
1931-32	£ Mn.	£ Mn.	£ Mn.	£ Mn.
Original estimate ...	15·1	30·0	...	45·4
1931-32—				
Revised estimate ...	16·8	33·0	9·0	59·1
1932-33—				
September forecast...	*19·3*	*37·5*	*22·0*	*79·3*
1932-33—				
Estimate	20·2	41·7	3·1	65·8

* Adjusted for minor items.

The provisional estimate put forward in September by Mr Snowden was based on an unemployment live register of 3,000,000, and the more optimistic figures now issued, involving a saving of £13½ millions to the Exchequer, are due to the improvement in employment conditions in the past six months. The total cost of unemployment insurance in 1932-33, as estimated in September, was £117.5 millions, and would have been £143.8 millions but for the various economies, whereas the present estimate implies a total cost of £105.2 millions, including £92.4 millions for benefit, £5.7 millions for interest on debt, and £7.1 millions for administration.

Trade and Industry (Class VI.).—The estimates in this class total £11,082,000, against £16,065,000 last year, and £1,218,000 in 1913-14. By far the greater part of the cut is accounted for by the Road Fund grant, which falls from £7,000,000 to £2,750,000. Development grants, on the other hand, at £650,000, show a rise of £250,000. The beet sugar subsidy rises by £25,000 to £2.4 millions, but all the other items suffer reductions except the grant to the Department of Scientific and Industrial Research. The votes for the Ministry of Agriculture and the Scottish Department of Agriculture are cut by nearly £400,000.

Pensions (Class VIII.).—The decline of this vote from £52,680,000 in 1931-32 to £49,856,000 in 1932-33 is due almost entirely to the automatic reduction in the cost of war pensions, which has been shown in a previous table. The other items are £335,000 for merchant seamen's war pensions, £665,000 for Royal Irish Constabulary pensions (after deduction of an appropriation-in-aid of £1,117,000 from the Irish Free State), and £1,612,000 for official superannuation and retired allowances.

Contributions to Local Revenues (Class IX.).—This vote, which totals £45,046,000, compared with £45,446,000 in 1931-32, covers the general Exchequer grants to local authorities under the Local Government Act of 1929 and the corresponding Act for Scotland. It is arrived at after deducting from the gross grant contributions from the Road Fund amounting to £6,474,000.

Revenue Departments.—The cost of the revenue departments in recent years is given in the following table:—

REVENUE DEPARTMENTS EXPENDITURE.
(£'s thousands.)

	1913-14.	1924-25.	1930-31.	1931-32. Estimates	1932-33. Estimates.
Customs & Excise	2,431	4,640	4,929	4,846	5,330
Inland Revenue	2,052	6,316	6,952	7,088	7,300
Total.....	4,483	10,956	11,881	11,934	12,630

Exchequer issues to 1930-31; 1931-32 Estimates, including supplementaries; 1932-33 Estimates.

The increase in the estimate for the Customs and Excise department is due largely to the vote of £360,000 for additional staff for work arising out of the Import Duties Act, 1932.

Post Office.—The following table shows the course of Post Office expenditure in recent years:—

POST OFFICE EXPENDITURE.
(£'s millions.)

1913–14.	1924–25.	1930–31.	1931–32.	1932–33. (Estimates.)
24·6	50·4	59·0	58·0	59·2

The increase of the vote in 1932-33 arises mainly from the larger provision for annuities in respect of capital obligations.

LOCAL AUTHORITIES.

The returns analysing total expenditure from all sources by local authorities are unhappily far from up to date. According to the latest statement, which relates to 1928-29, expenditure of local authorities in England and Wales amounted to £505 millions, as compared with £523 millions in 1927-28 and £170 millions in 1912-14. The division as between non-loan and loan expenditure is as follows:—

(£ millions.)

	1913–14.	1927–28.	1928–29.
Non-loan expenditure	148·3	402·6	414·7
Loan expenditure	21·4	120·0	90·5

Of the non-loan expenditure in 1928-29, education accounted for £81.7 millions, against £77 millions in 1927-28, other large items being highways £51.4 millions, housing £37 millions, and main trading services £101 millions. The last-named are self-supporting. Exchequer grants, including those made in connection with schemes of work for the unemployed, contributed £86 millions, while rates accounted for £171 millions. Exchequer grants were, in relation to education, £41.6 millions, and highways £14.2 millions. As a result of the De-Rating Act, rates collected in England and Wales since 1928-29 show an appreciable fall. In 1929-30 they are provisionally estimated at £155.5 millions, and in 1930-31 at £149 millions.

SOCIAL SERVICES.

Our survey of national expenditure may fitly be concluded by showing the sums spent annually on what are commonly known as the "Social Services." The following comparable figures for England, Scotland and Wales include sums spent from local rates, parliamentary grants and other receipts, *i.e.*, unemployment and health insurance contributions, rents, fees, etc.:—

"SOCIAL SERVICES" EXPENDITURE.
(In Millions.)

	Year ending March 31, 1921.	1924.	1928.	1929.	1930.
	£	£	£	£	£
Unemployment insurance...	10·8	48·0	42·8	53·8	53·3
Health insurance	29·9	30·9	37·6	39·9	38·6
War pensions.....	100·9	69·6	56·9	54·0	51·4
Other pensions	20·8	24·0	45·6*	58·7*	62·2*
Education	88·8	86·6	94·4	97·0	100·5
Working-class housing	4·7	16·6	26·7	31·6	35·6
Poor relief	34·3	41·9	45·5	43·9	45·0
Miscellaneous†	16·5	14·5	16·5	16·9	17·4
Total.....	306·7	332·1	366·0	395·8	404·0
Total, less War Pensions...	*205·8*	*262·5*	*309·1*	*341·8*	*352·6*

* Includes widows', orphans' and old age contributory pensions under the Act of 1926.
† Including expenditure on hospitals, maternity and lunacy.

In the next table we show for each class of expenditure the sources of revenue which (subject to small adjustments of balances) met the 1929-30 outgoings, together with the number of persons directly affected:—

PUBLIC SOCIAL SERVICES IN 1929-30 (ON LATEST AVAILABLE YEAR).
(£'s millions.)

	Expenditure.	Receipts from: Local Rates.	Parliamentary Votes or Grants.	Other Sources (Fees, etc.).	Total Receipts.	Number of persons (a) benefiting directly. (Millions.)
Unemployment Insurance ...	53·3	...	19·4	33·9	53·3	11·7
Health Insur....	38·6	...	7·3	32·0	39·3	13·1
Pensions:—						
Widows, etc.	26·4	...	...	24·1	24·1	1·4
Old Age	35·8	...	35·8	...	35·8	1·5
War pensions...	51·4	...	51·4	...	51·4	1·3
Education	100·5	43·6	48·6	8·3	100·5	8·0
Housing.....	35·6	2·9	12·4	20·3	35·6	...
Poor relief	45·0	38·1	3·7	3·3	45·1	1·4
Other	17·4	9·6	5·4	2·4	17·4	...
Total	404·0	94·2	184·0	124·3	402·5	...

(a) Persons may benefit under more than one head in the above table, and hence may be counted twice or oftener in this column.

In 1929-30, parliamentary grants met approximately 45.7 per cent. of the total expenditure on these social services.

THE NATIONAL DEBT.

In the following table we show the nominal value and composition of the deadweight debt on March 31, 1931, as compared with the figures for the two previous years and for March 31, 1923, the year in which the post-war "peak" was attained:—

NOMINAL VALUE OF NATIONAL DEBT AT MARCH 31ST (£'s millions)

	1923.	1929.	1930.	1931.
INTERNAL DEBT.				
FUNDED DEBT:—				
Pre-war Funded Debt ...	314·2	313·4	313·4	313·4
3½% Conversion Loan.....	683·6	811·0	789·6	769·9
4% Consolidated Loan....	...	353·9	353·0	341·7
Total Funded Debt ...	997·8	1,478·3	1,456·0	1,425·0
TERMINABLE ANNUITIES ...	13·7	12·5	12·2	12·0
UNFUNDED DEBT:—				
(a) *Other than Floating Debt*				
3½% War Loan	62·7	...	...	...
4½% War Loan	12·8	12·8	12·8	12·8
5% War Loan	2,030·4	2,184·5	2,096·0	2,087·0
4% War Loan	64·9	79·7	75·4	0·4
4% Funding Loan	400·4	382·1	378·5	374·9
4½% Conversion Loan..	...	223·1	267·1	316·8
5% Conversion Loan...	...	...	323·0	333·0
4% Victory Bonds	353·9	340·5	338·0	335·3
Exchequer Bonds	150·3	15·6	...	...
National War Bonds ..	953·1	...	...	...
Treasury Bonds.....	411·0	680·6	542·3	607·2
Savings Certificates ...	353·8	362·0	358·9	372·5
Other Debt	2·0	1·7	1·7	1·8
Total of (a)	4,795·3	4,282·6	4,393·7	4,431·7
(b) *Floating Debt:*				
Treasury Bills	616·0	700·3	588·9	569·8
Ways and Means Advances	193·9	37·1	48·5	24·5
Total Floating Debt ...	809·9	737·4	637·4	594·3
Total Unfunded Debt...	5,605·2	5,020·0	5,031·1	5,026·0
TOTAL INTERNAL DEBT ...	6,616·7	6,510·8	6,499·3	6,463·0
EXTERNAL DEBT	1,155·7	1,084·7	1,074·1	1,066·7
TOTAL DEAD-WEIGHT DEBT	7,772·4	7,595·5	7,573·4	7,529·7
Funding Loan and Victory Bonds held by National Debt Commissioners ...	30·2	95·2	104·4	116·4
NET TOTAL DEAD-WEIGHT DEBT.....	7,742·2	7,500·3	7,469·0	7,413·3

Since 1923 the funded debt has been augmented by the 4 per cent. Consolidated Loan of 1926-27. With regard to the unfunded debt, the extinction of the 3½ per cent. War Loan, National War Bonds, Exchequer Bonds, and the 4 per cent. War Loan was offset by the creation of the 4½ per cent. Conversion Loan of 1924-25, the 5 per cent. Conversion Loan of 1929-30 and several issues of Treasury Bonds.

As compared with 1923, the nominal value of the total debt on March 31, 1931, showed a reduction of £329 millions, but a decline of only £161 millions as compared with the position at the end of March, 1921. The net total on March 31, 1914, was £649.8 millions.

To the nominal total of the present outstanding debt there have to be added interest accrued on Savings Certificates amounting to £124.5 millions on March 31, 1931, and £114.6 millions of unemployment insurance fund indebtedness as at March 31, 1932.

During the past year the principal capital changes recorded were as under:—

(000's omitted.)

Receipts.	£	Issues.	£
Treasury Bills (net increase)	34,633	National Savings Certificates:—	
British Govt. Loans Abroad	1,570	Net amount repaid	1,000
*Other Receipts	328	Excess interest	8,431
		4 per Cent. War Loan repaid	350
		National Savings Bonds repaid	19
		Treasury Bonds repaid	1,331
		Issues to Debt Commissioners under War Loan Act, 1919	7,319
		Securities surrendered for Death Duties under Finance Act, 1917	75
		Depreciation Fund	1,370
		Ways and Means Advances decreased	17,000
Revenue Surplus	364		
	36,895		36,895

* Land Settlement Loans repaid, £142,000; Exchequer balances decreased, £186,000.

On the receipts side of the above table the item British Government Loans Abroad represents the difference between aggregate drawings and repayments effected in respect of the credits opened last summer in the Treasury's favour in Paris and New York. On the other side of the account it will be observed that £8.4 millions of the net sum borrowed by Treasury Bills was utilised in meeting interest paid in excess of the provision in the permanent debt charge on Savings Certificates encashed. Encashments exceeded sales by £1 million net against an excess of sales totalling £13.2 millions in the previous year. Similar recourse was had to short-term borrowing in order to finance an allocation of £1.4 millions to the 5 per cent. War Loan Depreciation Fund and also an issue of £7.3 millions made to the National Debt Commissioners under the War Loan Act of 1919 to meet a deficiency in the amount available for Funding Loan and Victory Bonds surrendered for death duties. This charge on previous years was met out of the (1928) sinking fund, but the reduction of the sinking fund provision in the Emergency Budget from £52 millions to £32.5 millions made it necessary for this amount to be borrowed. The effect of this operation and of purchases of 5 per cent. War Loan to prevent its price falling below 99 is to redeem long-term at the expense of creating short-term debt. On March 31, 1932, the floating debt amounted to £612 millions, a net increase of £17.6 millions on the year. From the large table above it will be seen that since 1928 the total reduction in the floating debt has amounted to £198 millions.

The Debt Charge.—In April Mr Snowden abandoned the previous year's programme whereby the 1929-30 deficit was to be made good by adding £5 millions a year in 1930-33 to Mr Churchill's (1928) fixed debt charge of £355 millions. For 1931-32 he fixed £355 millions as the inclusive provision for debt interest and sinking fund, estimating these items at £303 millions and £52 millions respectively. In the Emergency Budget of September he reduced the estimate for debt interest to £289.5 millions, the difference representing the postponement, under the Hoover Moratorium, of payment of interest (as distinct from amortisation) on our war debt to the United States. To this provision he added £32.5 millions only on account of sinking fund, making a total debt charge of £322 millions, as compared with £360 millions in 1930-31 and £24 millions in 1913-14.

In the following table we show the course of National Debt interest and sinking funds during the past five years in comparison with 1924-25 and 1913-14. Allowing for non-payment of interest to the United States, the cost of the internal debt during the past year was approximately £10 millions greater than in 1930-31:—

NATIONAL DEBT CHARGE (in millions).

Financial Year	Net nominal total dead-weight debt outstanding at *end* of financial year.	Interest, Management, &c.	Sinking Fund.		Total National Debt Charge.
			Nominal.	Actual.‡	
	£	£	£	£	£
1913–14	649·8†	19·3	5·2	5·2	24·5
1924–25	7,597·8	312·1	45·0	45·0	357·2
1927–28	7,527·8	313·8	65·0	65·0	378·8
1928–29	7,500·3	311·5	57·5	57·5	369·0
1929–30	7,469·0	307·3	47·7	28·4§	355·0
1930–31	7,413·3	293·2	66·8	43·6	360·0*
1931–32	...	289·5	32·5	24·5‖	322·0

* Including £5 millions as a first instalment to make good the 1929–30 deficit of £14·5 millions.

† Debt at *beginning* of year.

‡ After adjustment for realised deficits in 1929–31, and surplus in 1931–32, but subject to qualifications discussed below.

§ Allowing for £4·8 million interest on Saving Certificates not provided in the debt charge and therefore borrowed.

‖ Allowing for £8·4 millions interest on Savings Certificates borrowed.

A further analysis of the principal items making up the interest charge is given below for the latest years for which particulars are available:—

NATIONAL DEBT INTEREST (£'s millions).

	Treasury Bills.	Savings Certificates.	Total of (1) & (2).	Other Interest Charges.	Management and Expenses.	Total Interest, Management, etc. ((3) to (5)).
	(1)	(2)	(3)	(5)	(5)	(6)
1924–25	20·8	7·1	27·9	281·3	2·9	312·1
1927–28	25·3	15·0	40·3	271·7	1·8	313·8
1928–29	26·2	17·9	44·1	265·9	1·4	311·5
1929–30	28·7	15·5†	44·2†	260·8	2·3	307·3†
1930–31	12·5	16·1	28·6	263·3	1·3	293·2

† Exclusive of £4,818,900 paid as interest on Savings Certificates in excess of provision in Permanent Debt Charge.

In 1930-31 Mr Snowden was able to effect a striking economy in the cost of Treasury Bills, for which he had provided £17¼ millions. The actual expenditure in respect of Savings Certificate interest also fell by £7 millions below the amount estimated in the Budget. But this result was achieved on account of the unexpected shortfall in the amount of certificates presented for encashment, and so requiring interest to be debited against the Consolidated Fund. Actually a lapse occurred from the principle inaugurated by Mr Churchill in 1928, whereby provision from the debt charge was to be made to cover interest accrued on certificates outstanding. Between March 31, 1930, and March 31, 1931, accrued interest rose by £3.5 millions, an amount which has properly to be offset against the actual allocation to sinking fund in that year.

Debt Redemption.—The following table analyses sinking fund allocations during the five years ended March 31, 1931. In this connection it will be recalled that in the Budget of 1928 Mr Churchill established a fixed charge of £355 millions to cover both interest charges and sinking fund:—

SINKING FUND.

(000's omitted.)

	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.
Specific Sinking Funds—	£	£	£	£	£
Principal of Terminable Annuities	1,044	1,027	991	968	939
Sinking Fund for—					
3½% Conversion Loan	15,099	14,701	16,538	16,113	15,692
4% Consolidated Loan	...	9,210	10,000	10,000	10,000
4% Funding Loan	2,762	2,892	3,026	3,162	3,308
4% Victory Bonds	2,320	2,413	2,510	2,610	2 714
U.S.A. Government Loan	5,141	5,137	5,548	5,548	5,753
Depreciation Fund for 5% and 4% War Loan	2,720	1,666	1,744	...	...
Deficiency on Funding Loan and Victory Bonds surrendered for Death Duties	8,405	12,340	11,489	9,347	12,084
Total of above	37,491	49,386	51,846	47,748	50,490
Balance	22,509	15,614	5,663	...	16,340
Nominal Sinking Fund	60,000	65,000	57,509	47,748	66,830
Deduct deficit	36,694	...	...	19,343*	23,276
Actual Sinking Fund	23,306	65,000	57,509	28,405	43,554

* Actual deficit amounted to £14,524,000; the remaining £4,819,000 represents excess interest on Savings Certificates met by borrowing.

Of the "balance" nominally available in 1930-31, after providing for specific sinking funds, £16 millions was used to purchase, for cancellation, $7.2 millions of the 5½ per cent. 1937 United Kingdom Loan in the United States, while the remainder was employed mainly in extinguishing £11 millions of Treasury Bills and £3.7 millions of 3½ per cent. Treasury Bonds. On the other hand, the Budget deficits in both 1929-30 and 1930-31 had, of course, to be covered by temporary borrowing.

In fact, the real history of our recent efforts at debt redemption has been far other than would appear from the foregoing tables, showing "nominal" and "actual" sinking fund allocations. Adding to the totals shown above the "actual" sinking fund appropriation of £24.5 millions in 1931-32 we find that £242 millions have been provided out of revenue for sinking fund in the past six years. Apart, however, from the consideration that we have been crediting to revenue capital repayments on account of our war debts due from our late Allies—whereas the repayments of principal due under our debt funding agreement with the United States are debited not to current outgoings, but to sinking fund—a proper calculation of real debt reduction must take into account not only various specific capital assets used for revenue, but also borrowings for the Unemployment Fund, for which no budgetary provision has yet been made. We summarise below the true position of the past four years:—

DEBT REDUCTION, 1928-29.

	£'000.
Specific Sinking Funds	50,102
Balance	7,407
Nominal total Sinking Fund	57,509
Deduct—	
Capital asset used for revenue (Currency Note Account Balance)	*13,423*
Net borrowing Unemployment Fund	*11,430*
Real debt reduction	32,656

DEBT REDUCTION, 1929-30.

Specific Sinking Funds	
Balance	
Nominal total Sinking Fund	
Deduct—	
Budget deficit	
Borrowing for Savings Certificate interest not covered by debt charge	
Net borrowing Unemployment Fund	
Real debt reduction	

DEBT REDUCTION, 1930-31.

Specific Sinking Funds	
Balance	
Nominal total Sinking Fund	
Deduct—	
Budget deficit	
Increase in accrued interest Savings Certificates	
Net borrowing Unemployment Fund	
Real debt reduction	

DEBT REDUCTION, 1931-32.

Nominal total Sinking Fund	
Budget Surplus	
Total	
Deduct—	
Borrowing for Savings Certificate interest not covered by debt charge	
Net borrowing Unemployment Fund	
Capital withdrawn from Dollar Reserve Fund*	
Real debt reduction	

* The total sum paid to Miscellaneous Revenue from this was £12¾ millions, but £4 millions represented accrued which could legitimately be reckoned as a revenue item.

Thus during the first four years of Mr Churchill's Sinking Fund, instead of redeeming debt at the over £50 millions a year as Mr Churchill foresh we have, in fact, achieved an aggregate debt redu the whole period of only £37.7 millions, or less t millions a year. In addition it has to be borne i that, save in the event of the pound being stabilised at a figure enabling the sterling value of our gold r to be written up in a proportion sufficient to c exchange losses involved in the repayment summer's Franco-American credits, a further sub from our real debt reduction may have to be made account.

LOCAL LOAN DEBT.

At March 31, 1929, the loan debt of local author England and Wales had reached the figure of millions, an increase of £355 millions in comparis 1924:—

LOAN DEBT OF LOCAL AUTHORITIES IN ENGLAND AND at March 31st (£'s millions).

	1914.	1924.	1928.
1. Education (elementary & higher)	52·1	42·6	50·0
2. Sewers and sewage disposal	44·1	46·2	57·1
3. Housing	12·5	199·5	382·7
4. Main trading services	363·4	426·5	507·4
5. Other undertakings	90·5	105·5	124·1
6. Total	562·6	820·3	1,121·3

Sinking funds at March 31, 1929, had £67.6 m standing to their credit, of which nearly half was able to the loans outstanding on account of t services.

THE 1932-33 BUDGET.

We append for reference Mr Snowden's preli forecast, last September, of the 1932-33 accounts:—

Estimated Revenue.	£ Mn.	*Estimated Expenditure.*
Customs and Excise	265·5	Con. Fund Services
Inland Revenue	459·5	Supply Services
Motor Duties	5·0	Sinking Fund
Non-Tax Revenue	71·7	Surplus
Total*	801·7	Total*

* Excluding Self-balancing Items.

London: Printed for the Proprietors THE ECONOMIST NEWSPAPER, Ltd., by EYRE AND SPOTTISWOODE LIMITED, His Majesty's Printers, East Harding Street, London, E.C. 4. Published by the Proprietors at 8, Bouverie Street, Fleet Street, E.C. 4.—Saturday, April 9, 1932.

COMMERCIAL TIMES—WEEKLY PRICES CURRENT.

The prices in the following list are revised with the assistance of an eminent firm in each department.

LONDON, WEDNESDAY.

CEREALS AND MEAT.

GRAIN, &c.—	s.	d.	s.	d.
Wheat—				
No. 2, N. Man. 495 lb.	30	3		
Eng. Gas. av., per cwt.	6	1		
Barley, Eng. Gas. av.	7	11		
Oats, " "	7	5		
Maize, La Plata, landed 480 lb.	21	6		
Flour, Lon. stan. ex mill, 280 lb.	23	9		
Rice, No. 2 Burma, per cwt.	8	10½		
Tapioca, per cwt.—				
Fine Java, spot	27	0		
Fair Flake, Singapore	10	9		
MEAT—				
Beef, per 8 lbs.—				
English long sides	5	0	5	8
Argentine chilled hinds	4	2	4	6
Mutton, per 8 lbs.—				
English wethers	3	8	5	4
N.Z. frozen "	2	8	3	6
Pork, English, per 8 lbs.	5	0	5	6

OTHER FOODS.

BACON—				
Irish per cwt.	84	0		
Danish	45	0	49	0
Dutch	44	0	46	0
HAMS—				
Canadian	74	0		
American	71	0	72	0
BUTTER—				
Australian	107	0	108	0
New Zealand	109	0	110	0
Danish	116	0	118	0
CHEESE—				
Canadian per cwt.	70	0	72	0
New Zealand	64	0	...	
English Cheddars	94	0	110	0
Dutch	56	0	63	0
COCOA—				
(Duty, British grown, 11s. 8d.; foreign, 14s. cwt.).				
Accra, f.f. per cwt.	25	0	30	0
Trinidad	42	0	50	0
Grenada	32	0	39	0
COFFEE—				
(Duty, British grown, 11s. 8d.; foreign, 14s. cwt.).				
Santos supr., e. & f. cwt.	59	0		
Colombian, good	72	0	92	0
Costa Rica, med. to good	78	0	115	0
East Indian " "	82	0	118	0
Kenya, medium	83	0	105	0
EGGS—				
English per 120	9	6	10	0
Danish	9	0	9	6
FRUIT—				
Oranges—				
South African ...boxes		...		
Jaffa	12	0	15	0
Lemons, Sicilian ...boxes	9	0	14	0
" cases	10	0	20	0
Malaga ...cases 420 No. 1		...		
Apples: Amer.(var.) brls.	24	0	30	0
" (var.) boxes	8	0	13	0
" Australian		...		
Onions:—				
Valencia, cases, 4s.	15	0	17	0
Egyptian Bags	13	0	13	6
Grapes, Lisbon ... boxes		...		
" Almeria brls.		...		

LARD—	s.	d.	s.	d.
Irish bladders per lb.	66	0	80	0
American, boxes, 56 lbs.	39	0	40	6
POTATOES—				
Good English, per cwt.	12	0	12	6
SPICES—				
Pepper, per lb.—				
Muntok, fair White	0	7½		
Black Lampong	0	6½		
Cinnamon—1st sort, per lb.	0	7½		
Cloves—Zanzibar per lb.	0	8		
Ginger—per cwt.—				
African	25	0		
Jamaica, ord. to good	55	0	85	0
Mace per lb.	0	8	1	9
Nutmegs 65s	1	5		
SUGAR—				
(Duty, 11s. 8d. per cwt.).				
B.W.I., crystallised	18	0	20	6
Java, white, c. & f. India March-April	7	9		
REFINED—London—				
Yellow Crystals	18	1½		
Cubes	22	6	23	0
Crushed	20	6	21	0
Granulated	18	7½	19	4½
Home Grown	18	3	18	6
TEA—				
Indian—per lb.—				
Pekoe	0	5½	1	4½
Broken Pekoe	0	6½	1	10
Orange Pekoe	0	6½	1	5½
Broken Orange Pekoe	0	6½	2	6½
Ceylon—per lb.—				
Pekoe	0	7	2	10
Broken Pekoe	0	7½	2	4
Orange Pekoe	0	8½	2	9½
Broken Orange	0	8	3	1
TOBACCO—				
(Duty 9/6-12/5½ per lb., Empire growths, 7/5½-8/3½ per lb.)				
Virginia leaf—				
Common to fine	0	10	3	0
Rhodesian leaf	0	10	1	6
Nyasaland leaf	0	9	1	6
" strips	0	10	1	8
East Indian leaf	0	4	0	8
" strips	0	5½	1	3

COTTON— TEXTILES.				
Mid-American per lb.	4·79			
Sakellaridis, f.g.f.	6·70			
Yarns, 32's twist	8½			
" 60's twist	14½			
FLAX—	£	s.	£	s.
Livonian ZK per ton	47	0		
Persian HD	44	0		
Shanets Medium 1st sort	51	0	52	0
HEMP—				
Italian P.C. per ton	42	0		
Manila, Mar.-May "J 2"	18	10		
Sisal, African, Mar.-May	13	10	14	10
JUTE—				
Native 1st mks. ... per ton c.i.f. H.A.R.B. April-May	£17/0/0			
Deluxe 2/3 c.i.f. Dundee April-May	£16/0/0			
SILK—	s.	d.	s.	d.
Canton per lb.	8	6	10	6
Tussah	4	0	5	0
Japan	7	6	10	0
Italian—raw, fr. Milan	9	0	11	6

WOOL—	d.
English Southdown, washed per lb.	12
" Lincoln hog, washed	7
Queensland, scd. super cmtg.	20
N.S.W. greasy, super "	10½
N.Z., gray., half-bred 50-56	10
Tops— Crossbred 40-44	5
Merinos 70's	23
" 64's	22
Crossbred 48's	10½
" 46's	9½

COAL— MINERALS.	s.	d.	s.	d.
Welsh, best Ad'ty ...ton	19	6		
Durham, best gas, f.o.b. Tyne	14	6		
Sheffield, best house, at pits	21	0	22	0

IRON AND STEEL—				
Pig, Cleveland No. 3, ton	58	6		
Bars, M'brough	200	0		
Steel Rails, heavy	170	0		
Tin Plates, per box	16	0		
METALS—	£	s.	d.	£ s. d.
Copper, Electrolytic, ton	34/5/0			34/15/0
Sheets (strong)	66/0/0			
Standard	30/2/6			30/5/0
Lead Eng. Pig. ...per ton	12/0/0			
Soft Foreign	10/17/6			
Spelter G.O.B.	10/12/6			
Tin—English ingots	110/10/0			
Standard cash	108/10/0			108/12/6

MISCELLANEOUS.

CHEMICALS—	s.	d.	s.	d.
Acid, citric, per lb. less 5%	1	1½	1	2
Nitric	0	2½	0	4
Oxalic, net	0	3½	0	4
Tartaric, English less 5%	1	2	1	2½
Alcohol, Plain Ethyl	13	0	0	0
	£	s.	£	s.
Alum, lump per ton	9	0	9	10
Ammonia, carb. ton	36	0	38	0
Sulphate	7	0	7	10
Arsenic, lump per ton	35	0	40	0
Bleaching powder, per cwt.	7/10/0		6/12/6	
	s.	d.	s.	d.
Borax, gran. per cwt.	13	0		
Do. powder	14	6		
Nitrate of Soda ... per cwt.	9	0	9	6
Potash—Chlorate, net	0	3½	0	3½
Sulphate per cwt.	10	0	11	0
Sal-Ammoniac ... per cwt.	42	6	45	0
Soda Bicarb. per cwt.	9	0	10	6
Crystals per cwt.	5	0	5	3
	£	s.	£	s.
Sulphate of Copper, per ton	18	10	19	10
CEMENT, London—	s.	d.	s.	d.
Portland, best Eng. pr. ton				
In jute sacks (11 to ton)	44	9	46	9
In free paper bags (20 to ton)	46	0	48	0
COPRA—	£	s.	d.	
S.D. Straits c.i.f., per ton	15/0/0			
Smoked South Sea	13/12/6			
DRUGS—				
Camphor—	s.	d.	s.	d.
Japan, refined ... per lb.	2	7	2	8
Castor-oil per lb.	85	0	95	0
Ipecacuanha per lb.	5	3		
Peppermint, Wayne Co.				
HIDES— per lb.	9	3	9	6
Wet salted—Australian per lb.	0	4½	0	5½
West Indian	0	0	0	3
Cape	0	3½	0	3½

Market Hides, London—	s.	d.	s.	d.
Dry and Drysalted Cape	0	5	0	6
Best heavy ox and bullock	0	5	0	6
Best cow	0	5½	0	6
Best calf	0	5	0	5½
	0	6	0	7
INDIGO—				
Bengal gd. red-vio. to fine—per lb.	5	6	6	6
LEATHER—				
Sole Bends 6/14 lb.— per lb.	1	0	1	2
Bark Tanned Sole	1	0	1	0
Shoulders fm DS Hides	0	6	0	8
Do. Eng. or WS do.	0	8½	1	0
Bellies from DS	0	4	0	5½
Do. Eng. or WS do.	0	6½	0	8
Dressing Hides	1	0	1	6
Ro. Eng. Calf, 10/30 lb.	2	5	3	5
Aust. Bends	1	0	1	5
VEGETABLE OILS—				
Linseed, naked, p. ton net	£			
Rape, refined	13/0/0			
Cotton-seed, crude	27/0/0			
Coconut, crude	30/0/0			
Palm	27/0/0			
Oil Cakes, Linseed, Eng. per ton	14/15/0			
Oil Seeds—Linseed—	7/5/0			
La Plata, p. ton— April-May	9/7/6			
Calcutta—per ton—	10/5/0			
	s.	d.		
Turpentine, per cwt.	46	9		
PETROLEUM PRODUCTS—	s.	d.		
Motor spirit, No. 1, London per gal.	1	3½		
Petroleum, Amer. std. brl. London per gal.	0	9½		
Fuel oil, in bulk, for contracts, ex instal., Thames—				
Furnace ... per ton	60	0		
Diesel " "	67	6		
Lubricating oil ex stors, London—per ton—	£	s.		
Pales	15/0/0	23/7/6		
Reds	11/0/0	17/10/0		
Cylinder	11/2/6	30/5/0		
ROSIN—	£ s. d.	£ s. d.		
American per ton	1/3/10	2/0/10		
RUBBER—	s.	d.	s.	d.
St. ribbed smoked sheet per lb.	0	1½		
Fine Hard Para per lb.	0	3½		
SHELLAC—				
TN Orange per cwt.	62	6	64	0
SHELLS—	£	s.	£	s.
W. Aust. M.-o.-P. "	5	0	14	0
TALLOW—	s.	d.		
London Town per cwt.	22	0		
TIMBER—	£	s.	d.	
Swedish u/s 3 x 8 per std.	17	0	0	
" 2½ x 7 "	16	0	0	
" 2 x 4 "	15	0	0	
Can'dn Spruce, Dis "	24	0	0	
Pitchpine per load	3	0	0	
Rio Deals per std.	23	0	0	
Teak per load	30	0	0	
Honduras Mahg. logs c.ft.	0	10	0	
African "	0	4	0	
Amer. Oak Boards "	0	6	0	
" Ash "	0	7	0	
English Oak Planks "	0	0	0	
" Ash "	0	7	0	

continues dull and the figures realised are on the low side. Business in regard to foreign hides has been rather better since prices have declined, and fair sales of some sorts have been made. Most interest has been taken in the South American market for wet-salted hides, and parcels of Argentine ox have changed hands at 4d., with just over 3½d. paid for lights. A fair proportion of the trade done has been with this country, while it is reported that the U.S.S.R. has taken up parcels of Montevideo ox at the equivalent of 4½d. Dry River Plate hides also are now on a lower level, with B.A. Americanos quoted at 5½d., Cuyabanos at 4½d., M.V. Americanos at 6d., and Sierra Cordobas at 6½d. There has been little variation in the price of Africans, first and second dry Capes being offered at 5½d. and 4½d., while dry-salted 20/30 lbs. are quoted at 5d. and 4d. Unbranded Adis Abebas are still to be had at 5½d. for 12 lbs. and up, and the same weight in Nigerians are offered at 6d. The Australian market has become weaker, but there is still a scarcity of business. The sole-leather market has been rather more interesting this week, as, although orders for current needs continue to be for small quantities, a fair amount of inquiry is going around for future delivery, particularly in regard to light and medium bends for manufacturing purposes. Actual business, however, has been confined to English and wet-salted bends for repairing purposes, and for small parcels of dry-hide bends in the medium weights. There has been no expansion of the trade in offal; a fair turnover has been done in rough bellies, but the call for rough shoulders and plucked offal is very quiet. Sales of upper leathers have been chiefly in connection with glacé kid in black and brown, and to a moderate extent willow calf and patent. Rather more movement is noticed in some quarters in regard to reptile leathers, in addition to which there has been a limited sale of other types of fancy upper stock. Prices for most descriptions of leather show little change, and, generally speaking, this feature of the market is considered satisfactory.

RUBBER.—The market in rubber has been fairly active at the beginning of the week, but on Wednesday business was smaller, and prices sagged a little. In New York, Wednesday's spot price for rubber at 3½ cents per lb., shows no change on the week. Wednesday's official closing price for standard rubber sheet in London, at 1 15/16d. per lb., shows a fall of 1/16d., as compared with the corresponding day last week. In forward positions, business has been done at 2 1/16d. to 2 1/8d. for October-December, as against 2 1/4d. a week ago. Movements of rubber in London and Liverpool during the past week were as follows: Landed, 1,285 tons; delivered, 1,698 tons; stocks at the end of last week, at 124,823 tons, show a decrease of 413 tons, as compared with the preceding week.

COMMODITY PRICES IN THE UNITED STATES.

(New York quotations, unless otherwise stated.)

	Mar. 9. Cents.	Mar. 30. Cents.	Apl. 6. Cents.
Wheat, No. 2, Winter, nearest future, Chicago, per bushel	57¼	52⅞	56
Maize, nearest future, Chicago, per bushel	40½	37	36½
Oats, nearest future, Chicago, per bushel	23½	24½	24
Rye, nearest future, Chicago, per bushel	49	47½	46
Coffee, Rio No. 7, cash, per lb.	7–7½	7–7½	7½–7¾
" Santos No. 4, cash, per lb.	9–9½	8½–9½	9½–9¾
Cocoa, Accra, nearest future, per lb.	4·51	4·43	4·13
Sugar, Cuban Centrifugals, 96 deg., spot, per lb.	2·80	2·70	2·61
Cotton, middling, spot, per lb.	6·97	6·85	6·10
Rubber, smoked sheet, spot, per lb.	3½	3½	3½
Petroleum, Pennsylvania crude, standard grades, per barrel	155–170	155–170	155–170
Copper, "Electrolytic," Domestic, spot, per lb.	6½	6	6½
Copper, "Electrolytic," Copper Exporters, Inc., spot, per lb.	6½	6½	6½
Spelter, East St. Louis, spot, per lb.	2·90	2·80	2·80
Lead, spot, per lb.	3·25	3·00	3·00
Tin, "Straits," spot, per lb.	22·40	21·20	19·85